

PAYMENTS FOR MUNICIPAL SERVICES

The Payments for Municipal Services (PMS) program reduces property taxes in localities hosting state-owned facilities by contributing toward the cost of services provided to these facilities.

Background

The PMS program was established in 1973. It provides for payments to municipalities (and occasionally counties) for a portion of the tax-supported cost of the following services provided to state facilities: fire protection, police protection (including extraordinary police services), and solid waste collection and disposal. The legislature's Joint Committee on Finance must review and approve PMS payments in order for the payments to be disbursed.

If a state facility self-provides a service (such as hiring its own police force), then no PMS is made for that service. Similarly, no PMS is made for utility services (such as water, sewer, and electric power) or services funded through user fees (such as a refuse collection fee). Such utility services and user fees are paid to the municipality by the state agency in charge of the facility.

For a given calendar year, PMS entitlements are normally calculated in November using data for the prior calendar year. The actual payment is normally made on the following February 15th, but there is no statutorily specified date for the payment to be made. If the appropriation is insufficient to pay full entitlements, payments are prorated. The program is administered by the Department of Administration (DOA).

Formula

While some PMS entitlements are set through negotiation with the municipality, most entitlements are determined using a 3-step formula that estimates the portion of the tax-supported cost of qualifying services "caused" by the state facility. A sample calculation is shown on Table 1 (based on information from DOA).

The first step is calculating the net cost of qualifying services. From the total expenditures for qualifying services (including personnel, fringe benefits, equipment purchases), any revenues directly related to that service (including user fees, state and federal grants, and payments from other governments) are subtracted. The result is the net cost for PMS payment purposes.

The second step is calculating the percentage of net costs paid by the municipal-purpose property tax levy. This is done by dividing the municipal-purpose property tax levy (excluding any levies for tax incremental financing districts) by the municipality's total "general" revenue (the sum of the municipal-purpose property tax levy and general-purpose state aids.) The product of this percentage times the net cost for PMS payment purposes is the net costs of qualifying services paid through the property tax.

The final step is calculating the share of net costs to be paid by the state. This is done by dividing the value of state buildings (land is assumed to have no service requirements) by the

sum of the value of state buildings plus the equalized value of taxable buildings (improvements) in the municipality. This percentage is multiplied by the net costs of qualifying services paid through the property tax to determine the amount of the PMS entitlement.

If total entitlements exceed the amount appropriated for the program, payments are prorated. For 2005 payments (paid 2006), payments are limited to 88.13% of entitlements.

TABLE 1
CALCULATION OF PMS ENTITLEMENT FOR 2001
FOR THE CITY OF WISCONSIN DELLS

Step 1: Determine Net Costs		
Total police protection, fire protection, and solid waste and refuse collection/disposal expenditures (based on data in municipal finance forms filed with DOR)	(A)	\$ 1,663,180
Total police protection, fire protection, and solid waste and refuse collection/disposal direct revenues (based on data in municipal finance forms filed with DOR)	(B)	364,645
Total Net Cost (A - B)	(C)	\$ 1,298,535
Step 2: Determine Local Property Tax Share of Net Costs		
Municipal-purpose property tax levy	(D)	\$ 1,697,665
General state aids (shared revenue, expenditure restraint, and small community shared revenue payments, as calculated by DOR)	(E)	269,257
Total general revenues (D + E)	(F)	\$ 1,966,922
Property tax as a percent of general revenue (D/F)	(G)	86.311%
Net Costs Allocated to Property Tax (C * G)	(H)	\$ 1,120,775
Step 3: Determine State Share of Tax-Allocated Cost		
Full value of state buildings (based on data from the Department of Administration)	(I)	\$ 1,443,680
Equalized value of buildings on tax roll (as determined by DOR)	(J)	149,449,400
Total value of buildings (I + J)	(K)	\$ 150,893,080
State buildings as a percent of total buildings (I/K)	(L)	0.957%
PMS entitlement before proration (H * L)	(M)	\$ 10,723
Proration factor	(N)	89.85%
PMS payment (M * N)	(O)	\$ 9,634

PMS payments since 1997 (paid 1998) are shown below. Under 2003 Wisconsin Act 33, the PMS appropriation was set at \$21,998,800 for 2003 (paid 2004) and thereafter. The appropriation is subject to change by future legislatures.

Payments for Year	Number of Recipients	Total PMS Payment	Payment Proration
1997	251	16,828,800	82.04%
1998	260	18,065,300	87.68%
1999	269	18,065,300	82.47%
2000	293	21,565,300	94.52%
2001	269	21,781,000	89.85%
2002	282	21,998,800	86.25%
2003	293	21,998,800	87.93%
2004	295	21,998,800	88.21%
2005	290	21,998,800	88.13%

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